

**Testimony of Bill Tracy**  
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Mr. Chairman and members of the Committee, it is my pleasure to also extend a welcome to California. Thank you for giving members of California agriculture this opportunity to offer views on the some of the challenges facing agriculture and the importance and necessity of an effective farm program.

My name is Bill Tracy. I do my best speaking extemporaneously but because of time will “stick-to-my-script”. I am a member of a “hands-on” family farm currently into its 5<sup>th</sup> generation. We produce cotton, hay, grain, chipping potatoes, fresh market carrots, almonds, pistachios and operate cattle feedlots here and in Texas. Besides contributing to the daily operation of the ranch I have served as chairman of the California Cotton Growers Association, National Cotton Foundation and participated on various EPA advisory and dialogue committees. From 1987 through 1991 I was a member of Governor Deukmejian’s administration serving as Deputy Director of Agriculture.

Mr. Chairman, I would first like to offer comments on the size and diversity of California agriculture. Our agricultural abundance includes over 350 commercial commodities. We grow more than half of the nation’s fruits, nuts and vegetables. California has approximately 82,000 farming operations; this number represents about 4% of the nation’s farms, however that small percentage produces 13% of our nation’s agricultural gross cash receipts. More than 60 percent of our agricultural sales come from a wide range of specialty crops, including fruits and nuts, vegetables and melons and nursery crops. California is also an important producer of livestock and field crops and is the #1 dairy state. This diversity gives us a perspective on farm programs that is likely different from much of the rest of the country.

An overview of California wouldn’t be complete without mentioning water. Our diverse agricultural region coupled with dependable weather has made us an unmatched food and fiber producing machine. But to keep us from becoming another Garden-of-Eden God set all this in the middle of a desert. He even provided us with plenty of water but set back to see what mankind would do since 2/3’s of the water is produced in the north state yet almost all our agriculture and the greater part of the population is in the south state. Thus far, what we’ve efficiently done with water, since the gold rush of 1849 is fight over it. If we don’t come together soon with an adequate distribution system, future Farm Bill’s will be a moot issue for California.

As we think about the need for an effective farm program, it is important to remember the challenges and constraints facing California agriculture. California is one of the world’s most productive agricultural areas, but also the most highly regulated. These include

regulations related to air and water quality, energy usage, and pesticide applications, just to name a few. These regulations place additional costs in the system and increase the overall management burden on our farmers. By adhering to these regulations, California farmers are good stewards of the land and the environment. But we do so at a cost, and farm programs are needed to defray a portion of those costs.

Mr. Chairman, I would like to take a moment to address an issue of concern for not only California agriculture, but all of the U.S. – that is the challenges facing young people that would like to enter farming. I commend USDA for raising this issue in the request for farm bill comments, issued in 2005. We farmers are getting older. According to the most recent Census of Agriculture, the average age of California farmers is 57, and with each survey, the average age is increasing, which suggests fewer and fewer young people are choosing farming as a profession.

Entering agriculture as a new farmer or rancher is a daunting challenge. The costs of establishing a commercially-viable operation are substantial as input costs, machinery prices and land costs have increased. In order to make the necessary investment, adequate financing is crucial. An effective farm program enhances the producer's ability to secure financing.

Some would argue that farm programs actually deter beginning farmers by increasing land costs. While it is widely recognized that income support from farm programs will be capitalized into land values, the extent to which that capitalization occurs is subject to debate. If farm program payments increase expected returns, then a portion of the expected return will be eventually captured through higher land values. However, it is not economically rational to assume that farm program support causes a rise in land values to the extent that it reduces our competitiveness in world markets. The impact of farm programs on land values must be kept in proper perspective. The current non-farm economy is the primary driver of land values. This is evident in virtually every land sale.

While some view current land values as a serious obstacle for beginning farmers, it is important to remember the financial consequences of sharp land devaluation. Land represents almost 80 percent of farm business assets. Stronger land values increase equity and serve as collateral against which farming operations are able to secure annual production loans.

Again, an effective farm program is a necessity for young farmers entering agriculture and not a deterrent. USDA's current program providing loans for beginning farmers and ranchers should also be used to the maximum extent possible to provide financing opportunities.

Let me also comment on the importance of export markets to California agriculture. We are not only the nation's number one agricultural producer but also the number one exporter. Access to international markets remains a key to our long-term viability. California is uniquely geographically positioned that we're not so much the Western border of the U.S. as we are the Eastern gateway to the Pacific Rim. Within the context of

the farm bill, it is important to fully fund programs such as the Market Access Program and the Foreign Market Development Program. The combined investment of private and public funds, coupled with industry marketing expertise, result in innovative, forward-looking programs that leverage money into high impact campaigns and promotional efforts. Additionally, I would encourage you to consider extending the current Farm Bill until we have a better handle on the negotiations in the Doha round. Any uncertainty will be highly disruptive and costly. It's no different than when I was in the Army as an artillery forward observer and my captain would admonish me saying "Don't guess, if you can't see the target I can't hit it and we're just wasting expensive ammo".

Mr. Chairman and members of the Committee, as a final thought, I would like to express my support for the current farm bill. The legislation remains vital to the structure and stability of both California agriculture and U.S. agriculture, as a whole. It includes benefit delivery provisions that provide needed support in times of low prices without distorting overall planting decisions. An effective marketing loan provision allows U.S. cotton and other commodities to be price-competitive in a global market. The current law contains sufficient planting flexibility provisions that allow producers to react to market signals. It should continue to operate without modification through its scheduled expiration. Furthermore, I believe that it provides the foundation for the next farm program as well.

Mr. Chairman, I'd like to leave you with a quote Grandma Tracy taught me. "The decline of every great civilization commenced, when they turned their backs on agriculture".

Thank you again for the opportunity to present these remarks. I will be glad to answer any questions that you may have.